



DEPARTMENT OF ENERGY

Western Area Power Administration

Pacific Northwest-Pacific Southwest Intertie Project—Rate Order No. WAPA-157

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Proposed Transmission Service Rates.

SUMMARY: Western Area Power Administration (Western), a power marketing administration within the Department of Energy (DOE), is proposing an adjustment to the Pacific Northwest-Pacific Southwest Intertie Project (Intertie) transmission service rates. The current rates, under Rate Schedules INT-FT4 and INT-NFT3, expire September 30, 2012. The existing rates are being adjusted to provide sufficient revenue to cover all annual costs, including interest expense, and to repay capital investment obligations within the required period. Western will prepare and provide a brochure detailing information on the proposed rates. The proposed rates, under Rate Schedules INT-FT5 and INT-NFT4, are scheduled to become effective on October 1, 2012, and remain in effect through September 30, 2017. Publication of this Federal Register notice initiates the formal process for the proposed rate adjustment.

DATE: The consultation and comment period ends **[INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**. Western will present a detailed explanation of the proposed rates at a public information forum on June 28, 2012, at 1 p.m. MST in Phoenix, Arizona. Western will accept oral and written comments at a public comment forum on July 10, 2012, at 10 a.m. MST in Phoenix, Arizona. Western will also accept written comments any time during the 90 day consultation and comment period.

ADDRESSES: The public information forum and public comment forum will be held at Western's Desert Southwest Customer Service Regional Office, located at 615 South 43rd

Avenue, Phoenix, AZ 85009-5313, on the dates cited above. Written comments should be sent to Darrick Moe, Regional Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, email moe@wapa.gov.

Written comments may also be faxed to (602) 605-2490, attention: Jack Murray. Western will post information about the rate process on its website at

<http://www.wapa.gov/dsw/pwrmt/Intertie/RateAdjust.htm>. Western will also post official comments received via letter, fax, and email to this website. Written comments must be received by the end of the consultation and comment period to be considered in Western's decision process. As access to Western facilities is controlled, any U.S. citizen wishing to attend any meeting held at Western must present an official form of picture identification such as a U.S. driver's license, U.S. passport, U.S. Government ID, or U.S. Military ID at the time of the meeting. Foreign nationals should contact Western 30 days in advance of the meeting to obtain the necessary form for admittance to Western.

FOR FURTHER INFORMATION CONTACT: Mr. Jack Murray, Rates Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, (602) 605-2442, e-mail jmurray@wapa.gov.

SUPPLEMENTARY INFORMATION: Rate Schedules INT-FT4 and INT-NFT3 for Rate Order No. WAPA-130 were approved on an interim basis by the Deputy Secretary of Energy on September 28, 2007, for a 5-year period beginning on October 1, 2007, and ending September 30, 2012.¹ The schedules received final approval from the Federal Energy Regulatory Commission (FERC) on March 18, 2008.² Under Rate Schedule INT-FT4, the existing rate for long-term firm and short-term firm point-to-point transmission service is \$15.24 per kilowatt

¹ 72 FR 57563 (October 10, 2007)

² 122 FERC ¶ 62,236 (March 18, 2008)

year (kW-year). The proposed rate for long-term firm and short-term firm point-to-point transmission service under Rate Schedule INT-FT5 is \$19.68 /kW-year. Under Rate Schedule INT-NFT3, the existing rate for nonfirm point-to-point transmission service is 1.74 mills per kilowatt hour (mills/kWh). The proposed rate for nonfirm point-to-point transmission service under Rate Schedule INT-NFT4 is 2.25 mills/kWh. The following table compares the existing and proposed rates for transmission service:

Comparison of Existing and Proposed Rates

Transmission Service	Existing Rates	Proposed Rates	Percent Change
Firm Point-to-Point	\$15.24 /kW-year	\$19.68 /kW-year	29.1
Nonfirm Point-to-Point	1.74 mills/kWh	2.25 mills/kWh	29.3

The proposed rates are expected to become effective October 1, 2012, and remain in effect through September 30, 2017. The proposed rates are designed to recover an annual revenue requirement that includes operation and maintenance, purchase power, purchase of transmission capacity, interest, other expenses, and capital investment repayment.

The rate increase results primarily from lower-than-projected sales of 500-kilovolt (kV) transmission service and higher-than-projected costs for purchased power that have occurred since the existing rates were established. The existing rates were based on projected sales of 500-kV transmission service increasing each year during the 5-year evaluation period. The actual demand for transmission capacity was less than expected and the projected sales did not materialize. As a result, the revenue derived from the sales of 500-kV transmission service over the 5-year evaluation period has been much lower than planned. The proposed rates include a significant reduction in the sales forecast for 500-kV transmission service over the next 5-year evaluation period, which is a major factor of the rate increase.

Another factor of the rate increase is when the existing rates were developed, purchase power was handled at the power system level and the Intertie had no purchase power costs to recover. Since then, Western's Balancing Authority (BA) in the Desert Southwest Customer Service Region has initiated power purchases for reliability purposes and the associated costs are distributed to the applicable transmission systems within the BA, including the Intertie transmission system. These annual purchase power costs are subject to recovery and inclusion in the proposed rates.

Legal Authority

Since the proposed rates constitute a major rate adjustment as defined by 10 CFR part 903, Western will hold both a public information forum and public comment forum. After review of public comments, Western will take further action on the proposed rates consistent with 10 CFR part 903.

Western is establishing transmission service rates for the Intertie under the DOE Organization Act (42 U.S.C. 7152); the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)); and other acts that specifically apply to the project involved.

By Delegation Order No. 00-037.00, effective December 6, 2001, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to Western's Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to FERC. Existing DOE procedures for public participation in power and transmission rate adjustments (10 CFR part 903) were published on September 18, 1985 (50 FR 87835).

Availability of Information

All brochures, studies, comments, letters, memorandums, or other documents that Western initiates or uses to develop the proposed rates are available for inspection and copying at the Desert Southwest Customer Service Regional Office, Western Area Power Administration, 615 South 43rd Avenue, Phoenix, Arizona 85009-5313. Many of these documents and supporting information are also available on Western's website at

<http://www.wapa.gov/dsw/pwrmt/Intertie/RateAdjust.htm>.

RATEMAKING PROCEDURE REQUIREMENTS

Environmental Compliance

Western will evaluate this action for compliance with the National Environmental Policy Act (NEPA) of 1969 (42 U.S.C. 4321-4347), the Council on Environmental Quality Regulations (40 CFR parts 1500 – 1508), and DOE NEPA Regulations (10 CFR 1021).

Determination Under Executive Order 12866

Western has an exemption from centralized regulatory review under Executive Order 12866. Accordingly, no clearance of this notice by the Office of Management and Budget is required.

Dated: June 4, 2012

Anthony H. Montoya
Acting Administrator

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